



MOBILE HOUSING BOARD  
PROCUREMENT OPERATIONS  
MOBILE, ALABAMA

01-AT-204-1003  
NOVEMBER 21, 2000

OFFICE OF AUDIT  
SOUTHEAST/CARIBBEAN DISTRICT

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Issue Date	November 21, 2000
Audit Case Number	01-AT-204-1003

TO: Mack C. Heaton, Director, Office of Public Housing, 4CPH

FROM: Nancy H. Cooper  
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: Mobile Housing Board  
Procurement Operations  
Mobile, Alabama

We have completed an audit of the Mobile Housing Board's (MHB) procurement operations. The review was initiated in response to a citizen's complaint. Our audit objective was to determine whether the MHB administered its procurement activities in compliance with the Department of Housing and Urban Development (HUD) requirements.

We focused our audit to evaluate the MHB's controls and procedures over its procurement activities for fiscal years 1998 and 1999. Our report presents one finding that details the MHB's need for improvement with recommendations for corrective action.

Within 60 days, please give us a status report for each recommendation in the report on: (1) corrective action taken; (2) the proposed corrective action and a planned implementation date; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued as a result of the audit.

Should you or your staff have any questions, please contact me or Sonya D. Lucas, Assistant District Inspector General for Audit, at (404) 331-3369. We are providing a copy of this report to the MHB.

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# Executive Summary

We completed an audit of the Mobile Housing Board's procurement operations. The review was initiated in response to a citizen's complaint. Our review disclosed significant weaknesses in the Mobile Housing Board's administration of its procurement activities. Specifically, the audit disclosed that:

The Mobile Housing Board utilized incorrect procedures to procure certain goods and services and did not procure contracts in accordance with HUD's requirements. The MHB used small purchase procedures to procure flooring, paint, and window installation services when it should have used sealed bidding. Frequently, MHB: (1) obtained less than the required three quotes; (2) selected other than the lowest quote; and (3) repeatedly solicited and selected the same vendors. Also, contract deficiencies included: (1) issuing purchase orders without valid contracts in place; (2) improperly soliciting and awarding contracts without adequate competition; (3) awarding a sole source procurement without prior HUD approval; and (4) not performing independent cost estimates or cost and price analyses. As a result, the MHB procured services on a piecemeal basis when it would have been more efficient and cost effective to award larger contracts combining the work. Therefore, HUD lacked assurance that the MHB obtained goods and services at the most advantageous terms.

We presented three findings to the Mobile Housing Board and HUD's Alabama State Office officials during the course of the audit and at the exit conference on September 27, 2000.

The Mobile Housing Board provided written comments on October 21, 2000. We considered the comments in finalizing the report and combined the three findings. The MHB generally agreed with the finding in this report. The MHB's comments are summarized in the finding and included in their entirety as Appendix B.

We recommend HUD require the Mobile Housing Board to : implement procurement policies and procedures to ensure proper procurement planning, appropriate selection methods, use of authorized staff, proper contract administration, contract solicitations, cost estimates, price analyses and training of the MHB's procurement personnel.

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### Abbreviations:

CFR	Code of Federal Regulations
HUD	Department of Housing and Urban Development
MHB	Mobile Housing Board

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# Introduction

The Mobile Housing Board is a non-profit corporation organized under the laws of the State of Alabama by the City of Mobile. Its primary mission is to provide low-income housing for qualified individuals.

The Housing Board is governed by a five-member Board of Commissioners appointed by the City of Mobile. The Board has governance responsibilities over all activities related to the housing activities within the Mobile Housing Board. The Board is responsible for approving an annual operating budget, hiring its own management personnel, signing contracts, issuing bonds, and deciding which programs to provide. The Executive Director of the Housing Board is Stevens Gregory.

HUD's Alabama State Office in Birmingham, Alabama, Office of Public Housing has the responsibility for overseeing the Housing Board.

The Housing Board maintains its records at 151 South Claiborne Street, Mobile, Alabama. The Housing Board owns and manages 16 public housing developments consisting of 4,177 public housing units. In addition, the MHB administers 1,785 Section 8 Existing Certificates totaling \$6,257,855 and 495 Vouchers totaling \$1,146,854. MHB received \$1,943,063 to administer 422 Section 8 New Construction units and \$319,038 to administer 87 Section 8 Moderate Rehabilitation units. The Mobile Housing Board received \$8,872,784 of HUD operating subsidy for fiscal year 1998.

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## Audit objectives, scope and methodology

Our audit objective was to determine whether the Mobile Housing Board administered its procurement activities in compliance with HUD requirements.

To accomplish the objective, we tested for compliance with program requirements. We interviewed Alabama State Office of Public Housing program officials, current and former Housing Board staff, and contractors. Specifically, we reviewed procedures over the Housing Board's administration of the procurement activities during fiscal years 1998 and 1999; reviewed contracts, financial records and reports; and reviewed HUD's Alabama State Office monitoring reviews. To test for the eligibility and proper support for expenditures, we judgmentally selected 16 of 40 contracts from the Housing Board's 1998 and 1999 contract registers. Our review of contracts focused on the award and contract administration phases. In addition, we reviewed the purchase orders for the 16 contractors selected and for an additional vendor without an executed contract. (See Appendix A for deficiencies.)

Our audit primarily covered the period of January 1998 through December 1999. We extended the period as necessary. We performed on-site work from January through April 2000. We conducted our audit in accordance with generally accepted government auditing standards.

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## The Housing Board Did Not Procure Certain Goods and Services and Contracts Properly

The Mobile Housing Board utilized incorrect procedures to procure certain goods and services and did not procure contracts in accordance with HUD's requirements. The MHB used small purchase procedures to procure flooring, paint, and window installation services when it should have used sealed bidding. Frequently, MHB: (1) obtained less than the required three quotes; (2) selected other than the lowest quote; and (3) repeatedly solicited and selected the same vendors. Also, contract deficiencies included: (1) issuing purchase orders without valid contracts in place; (2) improperly soliciting and awarding contracts without adequate competition; (3) awarding a sole source procurement without prior HUD approval; and (4) not performing independent cost estimates or cost and price analyses.

These deficiencies occurred because MHB did not adequately plan its procurements in advance; inappropriate staff, with limited or no training on the HUD procurement requirements, performed solicitations; and, staff did not follow the procurement requirements.

As a result, the MHB procured services on a piecemeal basis when it would have been more efficient and cost effective to award larger contracts combining the work. Therefore, HUD lacked assurance that the MHB obtained goods and services at the most advantageous terms.

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### Criteria

HUD Procurement Handbook for Public and Indian Housing Authorities, 7460.8 REV-1, Paragraph 2-1 states that regardless of the method used, Housing Authorities should plan their contracts in advance and attempt to obtain full and open competition to ensure that quality goods and services are obtained at a reasonable price. Paragraph 4-3 (A) states that if there is a recurring need for services and supplies which is estimated to go over the \$25,000 limit, sealed bidding or competitive proposals procedures shall be used rather than small purchase procedures.

The Mobile Housing Board's procurement policy Part I, B (1) states that it is the Executive Director's responsibility to ascertain that the yearly procurements are adequately and timely planned. Part II, Section A (2) states that purchases and contracts in excess of \$1,000, but not exceeding \$25,000, shall be made by the Executive Director (or another individual authorized by the Executive Director) on

the basis of at least three price quotes obtained orally, by telephone, or in writing. The Executive Director or any other person authorized by the Executive Director shall be responsible for maintaining files of all price quotes requested and received. The files shall contain the names, addresses, telephone numbers of the firms/persons contacted, and their quotes.

Title 24 of the Code of Federal Regulations (CFR), Part 85.36 (b) (2) requires the Authority to maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts; Section (d) (2) (i) states that in order for sealed bidding to be feasible, two or more responsible bidders are willing and able to compete effectively and for the business; and Section (f) requires the Authority to perform a cost or price analysis in connection with every procurement action including modifications regardless of the procurement method used.

HUD Procurement Handbook 7460.8 REV-1, Paragraph 4-26 (E) states that if an Authority receives fewer than three proposals, the Authority should analyze the proposals and document the reason for the poor response. Depending on the results of the analysis, the Authority may either reject the proposals and issue a revised solicitation or proceed to evaluate the proposals.

#### HUD's review results

In a 1999 Public Housing Management Assessment Program Confirmatory Review, the HUD Alabama State Office noted that the Housing Board did not properly plan its procurements for flooring (carpet and tile work). The Alabama State Office reported the MHB used small purchase procedures when issuing 209 purchase orders totaling \$358,547. The Alabama State Office recommended that the MHB analyze its flooring needs and take sealed bids, if the anticipated total amount exceeded \$25,000.

Small purchase procedures were inadequately used

The Mobile Housing Board used the small purchase procedures to procure its flooring, paint and window services. However, all of the services had recurring needs which exceeded \$25,000. Therefore, the MHB should have used the sealed bidding or competitive proposals procedures. As a result, the Authority inadequately procured services without full and open competition as shown below.

#### **Purchases for Flooring Services**

Our review of the 1998 flooring services purchase orders revealed that the Housing Board issued 241 purchase orders totaling \$387,368. The purchase orders ranged from \$11 to \$28,266 and were issued almost daily every month. Several of the purchase orders total exceeded \$20,000 and two of the purchase orders were annotated “not to exceed \$24,500.”

In 1999, the Housing Board issued 188 purchase orders totaling \$215,721. The purchase orders ranged from \$8 to \$23,937. Again, the Housing Board issued purchase orders every month with two that exceeded \$20,000.

The Housing Board staff informed us that there were several ongoing modernization projects in 1998 and 1999. In 1999, the Housing Board was also operating under a deadline to reduce vacancies at certain developments. Under the circumstances, the staff stated they believed issuing purchase orders was quicker than soliciting for formal bids.

The MHB knew that several modernization projects were being undertaken which would require significant flooring services. Therefore, the Housing Board should have anticipated that a large amount of funds would be expended. In addition, the aggregate number and amount of purchase orders issued in 1998 should have highlighted the necessity for sealed bids in 1999.

**Purchases for Paint and Window Services**

The Housing Board did not adequately plan its procurement of paint and window services as shown below:

<u>Year</u>	<u>Services</u>	<u>Purchase Orders Issued</u>	<u>Total Amount</u>	<u>Purchase Order Range</u>
1998	Paint	151	\$105,145	\$28-\$5,286
1999	Paint	107	\$103,816	\$23-\$4,295
1998	Window	70	\$ 77,133	\$45-\$16,060
1999	Window	70	\$ 62,294	\$57-\$15,612

As with the flooring services, the Housing Board issued multiple paint and window purchase orders during every month. The MHB issued most of the paint purchase orders to one vendor and all of the window purchase orders to the same vendor. The MHB did not have a contract with these vendors.

Overall, the Mobile Housing Board did not adequately plan its purchases of goods and services in advance. When making such purchases, the Housing Board’s planning should have included determining the level of its recurring need and the appropriate procurement procedures. Also, the MHB needed contractual agreements with the vendors. Such actions would have provided better assurance that the MHB had procured goods and services at the most efficient and cost effective method and received reasonable prices.

Three quotes were not obtained

The Housing Board did not comply with HUD’s procurement requirements or its own procurement policy which required that typically at least three quotes be obtained for each small purchase requisition. Our review of the 1998 and 1999 purchase orders for flooring, paint, and window installation services revealed that the MHB frequently did not obtain the three quotes, as illustrated in the following table.

<u>Year</u>	<u>Type of Service</u>	<u>Purchase Orders with Less than Three Quotes</u>	<u>Percentage of Total Purchase Orders with Less than Three Quotes</u>
1998	Flooring	49	20
1999	Flooring	70	37
1998	Paint	147	97
1999	Paint	97	90
1998	Windows	66	94
1999	Windows	63	90

The MHB staff performing the solicitations did not demonstrate a clear understanding of HUD's small purchase solicitation requirements. Some staff believed they only needed to contact three vendors and not actually obtain three quotes. If a contacted vendor did not provide a quote, the staff considered that to be one of the three necessary quotes. Another reason staff gave for not obtaining three quotes was that if a vendor was working at a particular development, it was more convenient to give that vendor related work rather than solicit other vendors.

Based on our review, staff considered a vendor's non-response as one of the quotes in only a few instances. Generally, the staff did not solicit quotes from three vendors. For example, the Housing Board often solicited one vendor for paint and one vendor for the window installation services.

The lowest quote was not selected

Generally, the Housing Board awarded purchase orders based on the lowest quote. However, in some instances in 1998 and 1999, the MHB issued purchase orders for flooring, paint, and window installation services to other than the vendor with the lowest quote. For example, the MHB did not award 11 out of the 70 (16 percent) 1998 purchase orders for window services based on the lowest quote. The MHB staff did not document the reason for such selections.

Certain vendors were repeatedly solicited and selected

The MHB repeatedly solicited and selected certain vendors when issuing its 1998 and 1999 purchase orders for flooring, paint, and window services.

Flooring Services

In 1999, a vendor filed a lawsuit against the Housing Board alleging that around April 1999 the Housing Board's Executive Director instructed his staff not to award the company any purchase orders for flooring services. The vendor charged that he was excluded from bidding, which resulted in him going out of business.

Based on our review, we determined that the MHB solicited the vendor in question for 90 percent of the 1998 purchase orders, resulting in payments totaling over \$280,000. Until April 1999 the MHB solicited that vendor frequently. In 1999, the MHB paid the vendor over \$155,000, most of which pertained to purchase orders from January through March. MHB solicited the vendor at April 2 and April 20. The April purchase orders totaled \$3,159. From April 8 through the 19 and April 23 through May 21, MHB did not solicit the vendor. Records show that the MHB solicited the vendor on June 3, at which time the vendor stated he was out of business. Records further show that the MHB solicited the vendor on July 12 and awarded a purchase order.

The MHB solicited another vendor for 68 percent of the 1998 purchase orders. During this time, the MHB maintained a bidders/quotes list consisting of seven vendors for flooring services. However, the MHB only solicited three other vendors for 2 to 24 percent of the solicitations. Therefore, the MHB did not afford all vendors an equal opportunity to bid. Similar actions in early 1999 likely resulted in additional instances where vendors were not given similar opportunities to bid.

Regarding the lawsuit allegations, the MHB's Executive Director stated that it was during the spring of 1999 when he determined unauthorized staff, outside of the Purchasing Department, were soliciting quotes from flooring vendors. He also found that some staff had established the practice of accepting bids from certain vendors which were good from six months to a year. This practice was not authorized. Instead of obtaining current quotes for each requisition, the staff would use the old quotes. Subsequently, he had a purchase requisition quoted again. The Executive Director stated that this was done to give vendors an opportunity to bid. When the Purchasing staff re-solicited bids, they did not solicit the vendor who filed the lawsuit. The Executive Director stated the vendor requested a bid package the day the bid was due. However, the vendor did not submit the bid until after the bid deadline.

#### **Paint and window services**

For the 1998 and 1999 purchase orders issued for paint and window services, the MHB primarily solicited one vendor for every requisition and usually awarded the purchase order to that vendor. This practice of soliciting only certain vendors limited other vendors' opportunity to participate in small purchase procurements.

\* \* \* \* \*

The former Purchasing Agent allowed the unauthorized staff to solicit bids. The staff informed us that they were unaware of the bidders lists and solicited based on prior selection practices. Also, they had established a relationship with certain vendors and therefore solicited those vendors.

Purchase orders  
were issued without  
valid contracts

The MHB issued its 1999 purchase orders for paint services without a valid contract in place. We reviewed 107 purchase orders and found that the MHB awarded one vendor 101 (94 percent) of the 1999 purchase orders. In addition, the MHB only obtained one quote for 97 of the 101 (96 percent) purchase orders.

	<p>The staff informed us that the MHB publicly advertised and solicited for paint services and received two responses. Therefore, the MHB informally awarded a contract to Mobile Paint and issued purchase orders for rendered services. Subsequently, the Purchasing Department staff determined that the Board of Commissioners had not approved the contract and began soliciting other vendors. However, at that time, the MHB had awarded numerous purchase orders to the one vendor without soliciting other vendors.</p>
<p>Contracts were improperly awarded without adequate competition</p>	<p>The MHB generally followed proper procedures when it received an adequate response to solicitations. However, for 3 of the 16 contracts reviewed, the MHB improperly awarded the contracts without adequate competition. In all three instances, the MHB properly advertised and solicited bids. However, in each case, the Housing Board only received one bid and awarded the contracts to the sole bidders. Although required by HUD, the Housing Board did not document the reason for the poor response or justify why it was not necessary to issue a revised solicitation.</p>
<p>Sole source procurement was awarded without prior HUD approval</p>	<p>The MHB did not follow HUD's procurement requirements for a lawn care maintenance contract awarded to a resident owned business. We found no documentation to support that the Housing Board advertised or otherwise sought competition for the 1998 contract totaling \$128,520. In addition, there were no proposals or other documentation supporting that the MHB evaluated proposals before awarding the contract. Also, we did not find any evidence of HUD's approval for this sole source procurement, as required by 24 CFR 85.36 (g) (2) (ii). As a result, the Housing Board incorrectly obtained services through non-competitive procurement without prior HUD approval.</p>
<p>Independent cost estimates or cost and price analysis were not performed</p>	<p>In some instances, the MHB did not maintain complete and proper documentation in their procurement files. The contract files did not contain supporting documentation to show that the Board made an independent cost estimate or performed a cost or price analysis for 5 of the 16 contracts reviewed. (See Appendix A for deficiencies.)</p>

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**Auditee comments**

The MHB generally agreed with the finding, which was discussed as three findings at the exit conference.

The MHB stated it has adopted a new procurement policy and specific procurement directives/procedures that require full and open competition. In addition, the MHB stated it has implemented proper planning procedures and utilized sealed bidding when appropriate; created a new position to analyze procurement activities; and provided or will provide supplementary procurement training for applicable staff in the areas of contract administration, contract solicitations, cost estimates, price analysis, and file documentation.

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**OIG evaluation of auditee comments**

We believe the MHB's action will strengthen controls over the procurement operations.

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**Recommendations**

We recommend that you require the Mobile Housing Board to:

- 1A. Establish and implement policies and procedures to follow HUD's procurement requirements and its own procurement policy. The procedures should ensure that: (1) proper procurement planning occurs, including analysis of prior year(s) expenditures and future needs; (2) sealed bidding is used when appropriate; (3) three quotes are solicited from three sources; (4) the lowest responsible bidder is selected; (5) full and open competition is promoted; (6) only authorized staff solicit quotes from potential bidders; (7) invoices are not paid unless an executed contract is properly in place; (8) proper procedures are followed when response solicitations are inadequate; and (9) sole source procurements are not awarded without prior HUD approval.

## Finding

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- 1B. Provide procurement training for responsible Housing Board personnel that covers contract administration, contract solicitations, cost estimates, price analysis and file documentation.

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# Management Controls

In planning and performing our audit, we considered the Housing Board's management controls to determine our audit procedures and not to provide assurance on those controls. Management is responsible for establishing effective management controls to ensure that its goals are met.

Management controls include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organization, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

We determined that the following management controls were relevant to our audit objectives:

## Procurement and contracting

We assessed controls in place. We obtained an understanding of MHB's procedures and HUD's requirements, assessed control risk, and performed various substantive tests of the controls.

A significant weakness exists if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

Based on our review, we believe that MHB had significant weaknesses in management controls. The specific weaknesses are discussed in the finding.

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## Follow-Up on Prior Audits

This was the first Office of Inspector General audit of the Housing Board's procurement activities.

The last Independent Auditor's audit report was completed by Edward F. Stockton, Certified Public Accountant, for the fiscal year ending December 31, 1998. The report issued July 23, 1999, did not contain any findings which impacted the objectives of this audit.

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# Summary of Procurement and Contract Administration Deficiencies

<b>VENDOR/ CONTRACTOR</b>	<b>CONTRACT DATE</b>	<b>CONTRACT AMOUNT</b>	<b>DEFICIENCIES</b>
Air Comfort	09/28/99	\$327,134	
Atchison, Crosby, Saad, & Beebe	09/01/98	\$2,000 per month	2
Boys And Girls Club	10/06/98	\$130,500	4
City Wide Resident Council	11/09/98	\$128,520	2, 3, 4
Delta Bay Security	03/18/98	\$56,456	
Edward Stockton, CPA	08/12/98	\$11,995	
J. C. Duke & Associates	09/28/99	\$560,987	
Mobile Paint	No contract	No contract	1
Mobile Police Department	03/14/98	\$192,000	4
Porter Cabinets	11/24/99	\$100,000	
Prichard Police Department	7/28/98	\$52,000	4
Reliable Janitorial Services	06/30/99	\$130,597	
R. P. Wallace	08/10/99	\$386,186	
Smith Electric & Associates	04/01/98	\$200,000	2, 4
Southern Ornamental Security	11/19/98	\$68,265	
Waste Management Co. of Mobile	12/30/98	\$27,744	
Youngblood/Barrett Construction & Engineering	09/28/99	\$136,846	

## **DEFICIENCY EXPLANATIONS:**

### **Inadequate Contract Administration**

1. Purchase orders issued without valid contract in place

### **Improper Solicitation and Awarding of Contracts**

2. Contracts awarded without adequate competition
3. Sole source procurements awarded without prior HUD approval

### **Inadequate procurement records**

4. No independent cost estimate or cost/price analysis

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# Auditee Comments

<p><small>COMMISSIONERS</small></p> <p>CLARENCE M. BALL, JR. <small>CHAIRMAN</small></p> <p>DONALD L. LANGHAM <small>VICE-CHAIRMAN</small></p> <p>MELVIN CLARK</p> <p>RUBY LANG</p> <p>ANTHONY COOPER</p>	<h2 style="margin: 0;">MOBILE HOUSING BOARD</h2> <p style="margin: 0;">151 SOUTH CLAIBORNE STREET P.O. BOX 1345 MOBILE, ALABAMA 36633-1345</p> <p style="margin: 0;">PHONE (334) 434-2202    FAX (334) 434-2373</p>	<p>STEVENS GREGORY <small>EXECUTIVE DIRECTOR</small></p> <p>JIM ATCHISON <small>ATTORNEY</small></p>
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October 21, 2000

Mrs. Nancy H. Cooper  
District Inspector General  
U.S. Department of Housing and Urban Development  
District Office of the Inspector General  
Office of Audit, Box 42  
Richard B. Russell Federal Building  
75 Spring Street SW, Room 330  
Atlanta, GA 30303-3388

Re: Assignment No: 1850003AT  
Mobile Housing Board  
Mobile, AL

Dear Mrs. Cooper:

This is in reply to the draft audit report of the Mobile Housing Board dated September 1, 2000 as later revised October 3 and October 10, 2000.

The Mobile Housing Board has reviewed the comments, findings and recommendations and offers the following comments and responses:

**Finding 1: The Housing Board utilized the incorrect procedures to ascertain goods and services.**

Recomendation 1A. Implement and adopt procurement policies and procedures which provide for proper procurement planning. Such procedures should include analysis of prior year(s) expenditures and future needs.

Response - The Mobile Housing Board adopted a new procurement policy April 26, 2000. The new policy complies with HUD's Annual Contribution Contract (ACC), HUD Handbook 7460.8 Rev. 1 Procurement Handbook for Public Housing Agencies and Indian Housing Authorities," and the procurement standards of 24 CFR 85.36.

Further, the Mobile Housing Board issued "Procurement Directives/Procedures for Purchasing Agents and Contract Administrators," effective May 10, 2000, which supplement the Board's existing procedures for procurement planning.

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**Recommendation 1B.** Ensure that future procurements involving flooring, paint and window services are procured using the sealed bidding procedures as appropriate.

Response - The Mobile Housing Board has implemented proper procurement planning procedures and is utilizing sealed bidding procedures as appropriate.

**Recommendation 1C.** Analyze its purchases of other supplies and services to ensure that the appropriate procurement procedures are utilized.

Response - The Mobile Housing Board has instituted an ongoing review process to ensure that the appropriate procurement procedures are utilized. The Housing Board has created an analyst position to conduct reviews and analysis of Mobile Housing Board activities.

**Finding 2: The Housing Board did not follow proper small purchase solicitation procedures.**

**Recommendation 2A.** Establish and implement policies and procedures to follow HUD's procurement requirements and its own procurement policy. The procedures should at least ensure that (1) three quotes are solicited from three sources; (2) the lowest responsible bidder is selected; and (3) full and open competition is promoted.

Response – The Mobile Housing Board adopted a new procurement policy April 26, 2000. The new policy complies with HUD's Annual Contributions Contract (ACC), HUD Handbook 7460.8 Rev.1 Procurement Handbook for Public Housing Agencies and Indian Housing Authorities" and the procurement standards of 24 CFR 85.36.

In addition, the Housing Board issued "Procurement Directives/Procedures for Purchasing Agents and Contract Administrators" effective May 10, 2000. The Housing Board's procurement policies and procedures require full and open competition. Three quotations from three sources are being solicited with HUD approval being obtained prior to award in sole source, sole respondent, or limited response situations.

Increased administrative oversight and monitoring are in place and will be augmented with a procurement audit function.

**Recommendation 2B.** Provide procurement training for responsible Housing Board Personnel.

**Response** – The Mobile Housing Board has provided supplementary procurement training for responsible personnel. All responsible personnel will be provided refresher training on a periodic basis.

**Recommendation 2C.** Establish procedures to ensure that only authorized staff solicits quotes from potential bidders.

**Response** - The Mobile Housing Boards requirement that quotations from potential bidders be solicited by authorized staff only has been established, is in force and is being monitored for compliance.

### **Finding 3: Contract Procurement Needed Improvement**

**Recommendation 3A.** Develop and implement policies and procedures to follow HUD's procurement requirements. The procedures should ensure that: (1) invoices are not paid unless an executed contract is properly in place; (2) proper procedures are followed when response solicitations are inadequate; and (3) sole source procurements are not awarded without prior HUD approval.

**Response** - The Mobile Housing Board adopted a new procurement policy April 26, 2000. The new policy complies with HUD's Annual Contributions Contract (ACC), HUD Handbook 7460.8 Rev. 1 "Procurement Handbook of Public Housing Agencies and Indian Housing Authorities" and the procurement standards of 24 CFR 85.36.

The Housing Board's accounts payable procedures have been reviewed to ensure that invoices are not paid unless a properly executed contract is in place.

HUD approval is being obtained prior to procurement award in sole source, sole respondent, or limited response situations.

**Recommendation 3B.** Provide procurement training to appropriate personnel that covers contract administration, contract solicitations, cost estimates, price analysis and file documentation.

**Response** - Supplementary training is being provided for appropriate personnel in the areas of contract administration, contract solicitations, cost estimates, price analysis and file documentation. All responsible personnel will receive refresher training on a periodic basis.

**Management Controls**

Auditor's Opinion - Based on our review, we believe that the MHB had significant weakness in management controls. The specific weaknesses are discussed in the findings.

Response - The specific weaknesses discussed in the findings have been addressed by the Mobile Housing Board in its responses.

The Mobile Housing Board believes that its reply to the draft audit report meets with your office's requirements. I may be reached at (334) 434-2201 if there are any questions regarding this submission.

Sincerely,

A handwritten signature in cursive script that reads "Stevens Gregory". The signature is written in black ink and is positioned above the printed name and title.

Stevens Gregory  
Executive Director

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# Distribution

Executive Director, Mobile Housing Board, Mobile, Alabama  
Secretary, S  
Deputy Secretary, SD (Room 10100)  
Chief of Staff, S (Room 10000)  
Assistant Secretary for Administration, S (Room 10110)  
Acting Assistant Secretary for Congressional and Intergovernmental Relations, J (Room 10120)  
Deputy Assistant Secretary, Office of Public Affairs, S, (Room 10132)  
Deputy Assistant Secretary for Administrative Services, Office of the Executive Secretariat, AX  
(Room 10139)  
Deputy Assistant Secretary for Intergovernmental Relations,  
Acting Deputy Chief of Staff, S (Room 10226)  
Deputy Chief of Staff for Policy, S (Room 10226)  
Deputy Chief of Staff for Programs, S (Room 10226)  
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Special Assistant for Inter-Faith Community Outreach, S (Room 10222)  
Executive Officer for Administrative Operations and Management, S (Room 10220)  
General Counsel, C (Room 10214)  
Assistant Secretary for Housing/Federal Housing Commissioner, H (Room 9100)  
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Assistant Secretary for Community Planning and Development, D (Room 7100)  
Assistant Deputy Secretary for Field Policy and Management, SDF (Room 7108)  
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Assistant Secretary for Fair Housing and Equal Opportunity, E (Room 5100)  
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Assistant Secretary for Public and Indian Housing, P (Room 4100)  
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